

STATE OF COLORADO

DEPARTMENT OF TRANSPORTATION

Chief Engineer
4201 East Arkansas Avenue,
Denver, Colorado 80222
(303) 757-9201



January 3, 2011

Dear Consultant Partners:

As you probably know, CDOT has been in the process of establishing a policy for when a Consultant is required to provide an audited indirect cost (overhead) rate that complies with Federal Acquisition Regulations (FAR) and the AASHTO Uniform Audit & Accounting Guide (AASHTO Audit Guide). CDOT welcomed and gave careful consideration to the comments received from the Colorado ACEC.

CDOT is implementing the following procedures related to audit requirements:

1. Any Consultant who serves as a Prime Consultant will be required to provide an audited overhead rate (or rates, for example when a field rate is available) that complies with the FAR and the AASHTO Audit Guide, unless granted a waiver by CDOT. For contracts awarded in calendar year 2011 that are executed on or after July 1, 2011, any prime consultant that does not have an audited overhead rate at the time of selection will have to provide an audited rate established for the Consultant's previous or current fiscal year as soon as practical after the end of the chosen fiscal year. For future years, (calendar year 2012 and beyond) any firm wishing to compete as a prime consultant will have to have an audited overhead rate that is compliant with FAR and AASHTO Audit Guide requirements.
2. For those Consultants working on CDOT projects, but who do not serve as the Prime Consultant (i.e., Sub-Consultants), an audited overhead rate (or rates, for example when a field rate is available) that complies with the FAR and the AASHTO Audit Guide will be required, for all future successful selections, when the Sub-Consultant has been paid \$1 million or more for CDOT projects in a CDOT Fiscal Year. For successful selections in calendar year 2011 that are awarded on or after July 1, 2011, if the Sub-Consultant has reached the \$1 million threshold but does not have an audited overhead rate, an audited rate will be required for the Sub-Consultant's previous or current fiscal year, as soon as practical after the end of the chosen fiscal year.
3. Firms may request that CDOT grant a waiver of the audited overhead rate requirements. Waivers are at the discretion of the Chief Engineer, who will

consider factors such as the total dollar amounts historically paid to the firm, number of contracts the firms has with CDOT, type of work the firm performs for CDOT and the likelihood the firm will continue the work with CDOT and any other factors that are relevant to the audit issues.

4. CDOT may review the audit work performed with regard to the audited overhead rates submitted by Consultants and Sub-Consultants, to ensure that audits are based on sufficient and appropriate evidence of conformity with the FAR and the AASHTO Audit Guide. CDOT will accept the audited overhead rate if the audit is supported by sufficient and appropriate evidence of conformity with those criteria.

This policy will take effect July 1, 2011. Prior to implementation, CDOT will assist the Consultant community, including its auditors, in understanding the requirements of the AASHTO Uniform Audit & Accounting Guide, which was developed in consultation with the ACEC and FHWA. Your participation in the CDOT program is important to us and we will try to make any transition as smooth as possible.

Thank you for your help in implementing these new procedures.

Sincerely,



Pam Hutton
CDOT Chief Engineer